

## **Indiana Teachers' Retirement Fund Request for Indications of Interest (RFI)**

### **I.        *Introduction***

The Indiana State Teachers' Retirement Fund (hereinafter known as TRF) is searching for an investment manager to manage a small to mid cap growth portfolio, pursuant to TRF's investment policy and the investment guidelines of the selected manager. It is the intent of TRF to solicit indications of interest from potential small to mid cap growth managers and make clear our search process with this Request for Indications of Interest.

### **II.       *General Search Process***

TRF announces a search for investment management services by advertising in Pensions & Investments and at least one other local publication. Callan Associates assists with the search. All potential investment managers are encouraged to indicate their interest in the search by contacting Callan Associates. If the interested firm is not currently in Callan's Investment Manager Database, the firm must complete and return Callan's Investment Manager questionnaire. TRF creates a database of potential managers from those investment managers already in Callan's database and any new managers who indicate their interest and complete the questionnaire. All potential managers are then evaluated by the investment committees of TRF and Callan, based on criteria outlined in Section IV. *Evaluation Criteria*. Candidates chosen through this evaluation process are then sent Requests for Proposals, which must be completed and returned to TRF. Finalists who meet all requirement of the RFP are visited by TRF staff and interviewed by TRF's investment committee. The TRF Board of Directors makes all final decisions on the selection of qualified investment managers.

### **III.      *Small to Mid Cap Growth Manager Search Timeline***

The following timeline is the expected timeline for this search. It is subject to change at the discretion of the Board of Directors and/or Staff.

<b><u>Activity</u></b>	<b><u>Completion Date</u></b>
RFI advertised	February 7, 2005
Respondents Indications of Interest due*	February 25, 2005
Callan Questionnaire submitted if needed	March 11, 2005
Semifinalists sent RFP	April 26, 2005
Proposal Submission Date	May 15, 2005
Due Diligence Visits	June 1-10, 2005
Interviews	June 27, 2005
Notify Selected Candidate	June 28, 2005
Contract execution by TRF	July
Manager is funded	August

\*Investment managers indicating interest in this search or not currently in Callan's database should contact Robert Shaw at Callan at [Shaw@callan.com](mailto:Shaw@callan.com) or (415) 274-3095.

#### IV. *Evaluation Criteria*

All potential candidates for the small to mid cap growth search will be evaluated using the following criteria:

##### A. **Organization**

1. **Firm Size** – Preference is for candidates managing at least \$300 million or more in this strategy, including commingled and separate accounts. Organizations that have less than \$300 million in this area will be considered on an individual basis.
2. **Organizational Stability and Depth** – Eligible manager must exhibit organizational depth and reasonable employee attrition. Impact from turnover should be minimized through the firm's organizational structure and compensation practices. Investment staff should be of sufficient depth and breadth to perform the ongoing duties of the firm.
3. **Key Personnel** – Ideally, at least 2 key decision-makers will have worked together for a minimum of 5 years and in their current organizational setting for at least 3 years. A majority of the key decision-makers must have a minimum of 10 years experience managing domestic equity assets.

We recognize that there may be a situation in which a firm has recently established a small/mid cap growth capability by attracting a “star” portfolio manager or a “team liftout” with demonstrated capability in this area, or by combining existing small and mid cap growth products to create a SMID growth product. Such situations will be considered on a case by case basis.

4. **Client Base** – Preference will be given to firms managing money for large institutional clients.
5. **Capacity** – Firm must have a controlled growth policy and clearly stated point at which the product will be closed to new business. Firms that have been gaining new clients at a rapid pace that could strain the investment process, back office and client servicing efforts will be avoided.
6. **Client Service and Reporting** – Preference will be given to firms with dedicated client servicing staff. Eligible firms must be able to provide monthly reports in a timely fashion in accordance with TRF's specified reporting standards.

##### B. **Investment Management and Performance**

1. **Investment Style** – Investment managers should have a readily understandable and identifiable investment approach with a small to mid cap growth orientation. Both fundamental and quantitative processes are acceptable. Preference will be given to firms with internal research capability and/or proprietary model development. Manager should avoid extreme stylistic behavior and extreme market timing.

2. **Investment Vehicle** - Preference is for a separate account, however, commingled accounts will be considered. If a manager offers a commingled vehicle managed in an identical fashion to its separate accounts, then such a commingled vehicle will be considered, particularly if it has a lesser fee rate.
3. **Performance** – The benchmark is the Russell 2500 Growth Index. It is preferred that candidates have at least a five-year “live” track record. In the case of start-up organizations or “lift outs”, it is acceptable to link prior-firm track records to current-firm track records, if, in Callan’s best judgement, it is appropriate to do so on a case-by-case basis.

Performance should exceed the Russell 2500 Growth Index, as well as be above median relative to the style groups.

Historical performance will be scored based on the following:

- Cumulative 4, 5, 7 year data relative to the Russell 2500 Growth index and the Callan Small/Mid Cap Growth style groups.
- Rolling 3-year periods based on quarterly data compared to the appropriate market index and style groups.

Performance will be evaluated relative to each criterion. The relative score will be considered for candidates with limited performance history. Performance of candidates will also be evaluated relative to the longest time period common to all candidates.

4. **Risk** – Risk will be evaluated by considering the annual standard deviation of returns and tracking error. Above median information ratios and/or Sharp ratios are preferred.

- C. **Fees** – Eligible managers will propose a reasonable fee as determined by a fee analysis of all potential managers.

## **V. *Inquiries about the RFI and Contact***

All inquiries should preferably be directed to Callan Associates’ Robert Shaw at [Shaw@callan.com](mailto:Shaw@callan.com) or (415) 274-3095 or to:

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It is TRF’s policy that no member of the Board, employee of the Fund, or consultant or advisor to the Fund shall be contacted by interested firms once Indications of Interest are due or a completed questionnaire is submitted (for those firms not currently in Callan’s database). However, TRF does reserve the right to initiate discussions with firms to make clarifications and resolve minor issues.

The solicitation of Indications of Interest in no way obligates TRF to ultimately hire any investment manager.